

Bullets to inspire the Panel discussion on “Future Regulation”:

1. Upcoming CO2 regulations from IMO and EU.
2. The Paris Agreement.
3. The Global Sulphur Cap – use of scrubbers?
4. NOx Tier III – affecting engine efficiency?
5. Ballast Water – another energy consumer.
6. Bio Fouling – guidelines turning into regulation?

Re. 1: There was a general agreement that the EU MRV (Monitoring, Reporting and Verification) and the IMO DCS (Data Collection Scheme) will create higher awareness of fuel usage and energy efficiency. As most owners already collect similar data from their ships, it was not considered a big burden to enter these schemes. Some work is required up front to collect the data in the right format. The schemes will likely trigger a further desire/need for automatic data collection. The schemes are meant for regulators to be educated on how shipping works and use that knowledge to develop some kind of incentive scheme to drive CO2 reductions. The EU MRV will give a better picture of ship efficiency as transport work is included. In the IMO DCS transport work is not included which will make a ship in ballast appear to be more efficient than a fully laden ship. There is a desire for the ultimate CO2 reduction instrument, whatever that will be, to be formulated by IMO, hence to be a global instrument, rather than a patchwork of regional or national instruments. If the choice comes between the formerly discussed options, i.e. a Fuel Levy vs an Emission Trading Scheme there was a clear preference for the Levy. It is more transparent and easier to pass on to the charterer or the shippers.

Re. 2: The decarbonization embedded in the Paris Agreement will likely be the largest stumbling block for shipping ever. Bio fuels are known today, but mainly in road transportation. It is considered CO2 neutral, but will not create total CO2 reduction. New means for propulsion will be needed like wind, solar, hydrogen and even nuclear in some form, e.g. thorium reactors. The Paris agreement could also, due to a steep increase in transportation cost, reduce global trade. An example is the transport of bottled water from Europe to Asia. This is only feasible because transport is so cheap today.

Re. 3: So far very few owners have opted for scrubbers as the solution to meet the 2015 sulphur cap and now it appears to be less than 5% of shipowners who have opted for scrubbers to be the solution to meet the 2020 sulphur cap. Scrubbers will generally impose a 2.5% fuel penalty due to the energy required to operate a scrubber. There was a concern that owner who have installed scrubbers in their ships might opt to trade at higher speeds that owner who will comply by burning more expensive compliant 0.50% S fuel. Another concern, in particular for ships on T/C, is whether the Sulphur regulations will create a two-tier market: One for ships with scrubbers and another for ships without scrubbers, where the former will get the higher freight rates.

Re. 4 and 5: It was agreed that both NOx Tier III and the Ballast Water Convention will negatively affect the energy efficiency for ships. There was, however, an understanding that some trade-off between present health problems and future climate change challenges, is necessary.

Item 6 was not discussed in any details.

Brgds
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